



## Information About

### ***Tax Incentives for Businesses Relating to Persons with Disabilities***

**This publication provides general information to businesses about tax incentives for which they may be eligible. If you have specific tax planning questions, please contact your accountant or tax advisor. For specific legal advice, you should consult an attorney.**

The Internal Revenue Code provides two tax incentives for businesses that employ and accommodate persons with disabilities: a Small Business Tax Credit and an Architectural/Transportation Barrier Removal Tax Deduction. A *credit* is subtracted from the total tax liability after the calculation of the amount of tax owed. A *deduction* is subtracted from pre-tax income to establish taxable income.

#### ***Small Business Tax Credit (I.R.C. §44); Disabled Access Tax Credit***

##### **What is a Small Business?**

A small business is any business that employed 30 or fewer people or earned \$1 million or less in gross receipts during the previous business year.

##### **What Expenses Can Be Covered with the Tax Credit?**

This annual credit covers expenses that a small business incurs when it attempts to acquire services or make modifications in compliance with the Americans with Disabilities Act (ADA). Examples include:

- removing physical barriers in order to make buildings or vehicles accessible to customers and employees;
- providing sign language interpreters or auxiliary aids to make auditory materials available to customers or employees with hearing disabilities;
- using Braille or other devices to make reading materials available to customers or employees with visual impairments; and
- acquiring other equipment or service devices for persons with disabilities.

This credit can be used for modifying existing buildings to comply with ADA accessibility guidelines. It does not apply to new construction, but to the modification of buildings put into use before November 6, 1990. For more information about ADA accessibility guidelines, see <http://www.usdoj.gov/crt/ada/>.

##### **What is the Amount of the Tax Credit?**

This annual credit is equal to 50% of applicable expenditures exceeding \$250 but not exceeding \$10,250. The maximum allowable credit is \$5,000. If the amount of the credit exceeds the amount of taxes owed, the small business may carry over the unused portion of the credit to the next taxable year.

#### ***Architectural/Transportation Tax Deduction (I.R.C. §190); Barrier Removal***

This deduction is available to businesses of all sizes. A business can deduct expenses incurred to make business facilities and public transportation vehicles more accessible to persons with disabilities and the elderly. Deductible expenses include:

- providing accessible parking places, ramps, and curbs;
- providing telephones, water fountains, and restrooms that are accessible to persons using wheelchairs;
- constructing accessible entrances to buildings; and
- making vans and other business vehicles accessible for persons with disabilities.

The deduction cannot be used for new construction, general renovations, or routine maintenance.

### **What is the Amount of the Deduction?**

The maximum deduction a business can take is \$15,000.

### **Can I Use a Tax Credit and Deduction at the Same Time?**

Although some expenses, such as the removal of physical barriers, fit within both the deduction and credit guidelines, you can not take both a credit and deduction for the same expense. However, if your expense exceeds the maximum credit of \$5,000, you can deduct the remaining amount.

### **Are These Tax Incentives Available Annually?**

Yes. In order for a business to claim these deductions or credits on an annual basis, the business must have new applicable expenditures each year. The business cannot carry over portions of expenditures that exceed the allowable credit or deduction to the next tax year.

### **How Do I Claim These Tax Incentives?**

Refer to IRS Form 8826, IRS Publication 907, *Tax Highlights for Persons with Disabilities*, and Publication 535 on *Business Expenses*.

### **Are there Any Virginia Tax Incentives?**

The Virginia Employers of Disabled Individuals Tax Credit expired on December 31, 2002. Your local government may also provide local tax incentives for small business. Please contact your local government offices for further information.

### **Where Can I Find Additional Information on these Tax Incentives?**

Additional information on these tax incentives can be obtained from the Internal Revenue Service (IRS) by calling the IRS help-line for individuals at 1-800-829-1040, or for businesses at 1-800-829-4933, or by visiting [www.irs.gov](http://www.irs.gov).

### **Virginia Office for Protection and Advocacy**

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804-225-2042 (Voice and TTY) Fax: 804-662-7057

E-Mail: [general.vopa@vopa.virginia.gov](mailto:general.vopa@vopa.virginia.gov) Web: [www.vopa.state.va.us](http://www.vopa.state.va.us)

VOPA may help with disability-related problems like abuse, neglect, and discrimination. All callers will receive some level of help. Individuals with issues targeted in our goals and objectives may receive advocacy services or legal representation.

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***VOPA publications are available in alternate format, upon request.***